

September 20, 2004

QUOTE OF THE WEEK

*"To educate a man in mind and not in morals is to educate a menace to society."
Theodore Roosevelt (1858-1919) 26th U.S. President*

UNDER THE DOME

*****More Bad Bills*****

The Governor has until the end of September to sign into law or veto bills that the Legislature has sent him. Today I continue my list of recommendations for his veto pen:

A.B. 1829 prohibits the state from contracting with a service provider unless that contractor guarantees that all of the work will be done in the United States. The bill is designed to address the recent concern with outsourcing and off-shoring jobs. However, it brings into conflict some of our most basic values. Certainly, we want jobs to be plentiful in the U.S. At the same time, we want our tax dollars spent efficiently and our public work performed effectively. If those two latter values can be accomplished by having work done elsewhere, then so be it. That frees up capital and labor in the U.S. to find those activities they are most efficient and effective at doing.

A.B. 2923 seeks to expand the number of members and duties of the California Post-Secondary Education Commission. That is directly contrary to current efforts to streamline state government and should be rejected.

A.B. 2850 is absurd. Imagine that the private security guard company you own just won a contract to provide security at a particular office building. You are eager to start the job and put your employees to work. But if this becomes law, you will be required to put the previous contractor's employees on your payroll for 90 days.

A.B. 3021 places yet another burden on California employers by requiring them to report additional information with their payroll, specifically how many of their employees and contractors are California residents and how many are from outside the U.S. As I noted above, in the global economy, decision about hiring are based on efficiency and cost-effectiveness, not by someone's address.

*****And More Board to Cut*****

By looking at today's list of boards the California Performance Review recommends eliminating, one could get the impression that California actually invests in infrastructure with great planning and regularity. Nothing could be further from the truth and one of my

greatest hopes for the Governor's reorganization plan is that California can get back on track in taking care of the basic functions of state government: roads and highways, prisons, water storage and transport, schools and universities. The list is: Alternative Energy and Advanced Transportation Financing Authority; Board of Reclamation; Building Standards Commission; California Transportation Commission; California Water Commission; Consumer Power and Conservation Financing Authority; Departmental Transportation Advisory Commission; Electricity Oversight Board; Energy Commission; High Speed Rail Authority; Low Income Oversight Board; Public Library Construction and Renovation Board; Public Works Board; Seismic Safety Commission; State Allocation Board; and the Tax Credit Allocation Committee.

TAXING TIMES

*****The Taxman Giveth*****

Last week I got to give away money. This is very different from what happens at the Board's tax hearings, where if the taxpayer loses the government gets to take money. Last decade, Fresno County leaders sponsored a sales tax increase for the arts and it passed with only a majority vote. The Howard Jarvis Taxpayer Association challenged the vote. The court agreed with the Association that the vote on the tax was unconstitutional and rightly reaffirmed the law that taxes can only be increased by a two-thirds vote of the voters.

However, by the time the Court had ruled, the Board of Equalization had collected the tax for about three years. So in an decision of great wisdom, the parties in the case agreed that after taxpayers received refunds for their extra tax paid on purchases during this period, the remainder of the money would go for the purpose intended by the majority of voters. The check I delivered to the Fresno Regional Foundation and the Fresno Arts Council was for \$1.9 million, and will be distributed throughout the community in the form of grants for cultural programs, which is a good result all around.

*****L.A. Times Decides, Leaves Reporting to Others*****

In a news story in Thursday's Los Angeles Times, reporter Michael Hiltzik took a stab at uncovering what he sees as a deep conspiracy involving the California Performance Review and tax policy. The recommendation by the Performance Review he finds objectionable is to bring the annual tax assessment of aircraft in California under the Board of Equalization. Currently, each county individually assesses the fair market value of the aircraft that are deemed to be based in that county. The counties use different methods to calculate fair market value, so each county arrives at different conclusions about the value of aircraft in their jurisdiction, which can lead to wildly different tax bills for the same type of aircraft.

The fact that airlines do not like this sends Hiltzik into a conspiracy spasm such that he deems the entire Performance Review as a special interest feeding frenzy. Let me offer

this analogy on the issue in question: Imagine if each county was free to value cars for the purpose of determining the annual vehicle license fee. Some counties might use the Kelly Blue Book to arrive at the fair market value, others might base the value on your own purchase price, while others might use replacement cost less depreciation. Thus, a particular model vehicle might have a different value in every county! This may or may not result in more revenue, but would it be good public policy? I think not.

But Hiltzik concludes that it must be good public policy because the airlines and other private owners of planes do not support it. He assumes their call for a more stable, predictable tax system is evil. He goes on to offer this whopper later in the story: "None of this would matter if the Board of Equalization could be trusted to treat airlines as rigorously as the counties. Although the airlines say they would not expect to pay less in taxes under board jurisdiction, the assessors contend that the board has always been soft-hearted with business." I challenge Hiltzik, and the assessors who participated in the story, to look at the Board's votes since I came here in 2002 and reach that conclusion, which is utterly absurd. If he would have bothered to call the Board, Hiltzik could have learned the facts. But that is called reporting - something the "fake but accurate" major news media seem to have less interest in doing these days.

ISSUE FOCUS

*****Citizenship Test 12*****

The first of today's questions is one under great scrutiny lately. Members of Congress have introduced a constitutional amendment to change one of those requirements, perhaps in light of California's Governor.

51. According to the Constitution, a person must meet certain requirements to be eligible to become President. Name one of these requirements.

52. Why are there 100 Senators in the U.S. Senate?

53. Who selects the Supreme Court justices?

54. How many Supreme Court justices are there?

BOE AND LEGISLATIVE DATES

September 23, 2004 --- First mailing of sample ballots.

September 30, 2004 --- Last Day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in his possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).

October 2, 2004 --- Bills enacted on or before this date take effect January 1, 2005 (Art. IV, Sec. 8(c)).

October 4, 2004 --- First day to mail out absentee ballots.

October 19, 2004 --- Last day to register to vote in November's General Election.

October 27, 2004 --- Last day to request an absentee ballot.

November 2, 2004 — General Election.

NOTABLE DATES/ HISTORY

September 20, 1519 --- Magellan started the first successful circumnavigation of the world.

September 20, 1787 --- The Constitutional Congress adjourned after signing the U.S. Constitution. The Constitution did not become effective until March 4, 1789.

September 20, 1797 --- U.S. frigate Constitution (Old Ironsides) was launched in Boston.

September 20, 1984 --- Suicide car bomber attacked the U.S. Embassy annex in Beirut.

September 20, 1990 --- Both Germanys ratified reunification.

September 21, 1780 --- Benedict Arnold gave British Major Andre the plans to West Point.

September 21, 1953 --- The Allied forces formed West Germany.

September 21, 1981 --- Sandra Day O'Connor became the first female Supreme Court Justice.

September 22, 1789 --- Congress established the Office of Postmaster General.

September 22, 1863 --- President Lincoln made his Emancipation Proclamation speech.

September 22, 1991 --- University of California made public the Dead Sea Scrolls.

September 23, 1806 --- Lewis & Clark returned to St Louis from the Pacific Northwest.

September 23, 1952 --- Richard Nixon made his "Checkers" speech.

September 24, 1957 --- President Eisenhower ordered U.S. troops to desegregate Little Rock schools.

September 25, 1789 --- Congress proposed the Bill of Rights.

September 25, 1890 --- Congress established Yosemite National Park in California.

September 26, 1777 --- British troops occupied Philadelphia during the American Revolution.

September 26, 1896 --- John Philip Sousa led his band's first performance (Plainfield, NJ).

September 26, 1934 --- The British liner Queen Mary was launched; she is now docked in Long Beach, California.

September 26, 1960 --- Fidel Castro delivered the longest speech in U.N. history (4 hrs, 29 minutes).

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

HOW TO CONTACT ME

Bill Leonard
Board of Equalization
400 Capitol Mall, Suite 2340
Sacramento, CA 95814
Telephone: (916) 445-2181
Fax: (916) 327-4003

Email: bill.leonard@boe.ca.gov